NOTES AND MEMORANDA.

THE END OF SUGAR BOUNTIES.

Contrary to the expectation of many well-informed observers, the Brussels Convention of last year (March, 1902) has been ratified by all the important countries, and went into effect on September 1 of the present year. So many previous international conferences on this vexing problem had resulted in failure that no great hopes were entertained from this one. Yet it seems well-nigh certain that the bounty system has at last been definitively got rid of.[1]

The decisive factor in bringing about the present situation was the stand taken by the British government as early as 1901, in announcing its purpose to impose an import duty on sugar equal to the export bounty of other countries. The immediate effect of such a tax would have been twofold: on the one hand, to direct more or less of the Continental bonus from the British consumer to the British exchequer; on the other hand, slowly at first, but probably in greater degree as time went on, to stimulate the importation into Great Britain of raw sugar from British colonies and other non-bounty sources, and the refining of more sugar within the United Kingdom. As the British and colonial sugar trade had so long accommodated itself to the situation created by the bounties, it was to be expected that imports from the bounty-countries would continue in large volume for some years at least, and hence that the British exchequer would secure no inconsiderable revenue. This immediate fiscal gain seems to have been at least as effective in bringing the Con-

[1] **For an account of the growth of the bounties, and of the situation in 1902, see the article by Professor Charles S. Griffin on "The Sugar Industry and Sugar Legislation in Europe" in this *Journal*, vol. xviii., November, 1902.**

tinental countries to terms as the prospective shift in the sources of sugar supply. To be sure, it would seem to non-prejudiced persons not to be of much real consequence to the bounty-givers whether the British public got the benefit of their practice in cheaper sugar or—sugar being taxed—in lessened taxes on other things. But it is characteristic of the artificial state of mind induced in these countries by the whole artificial system, that the consumer, whether on the Continent or in England, has been little thought of, while the fiscal pros and cons and the figures of swelling exports loomed up large. At all events, when it became well-nigh certain that Great Britain, always the chief market for bounty-fed sugar, would give up her let-alone policy, the Continental rivals found it possible, notwithstanding failure after failure in previous conferences, to reach an agreement.

The Brussels Convention was signed on March 5, 1902. It provided that the countries party thereto would abolish all bounties, direct or indirect, whether on the production or export of sugar; and would impose on sugar coming from other countries an import duty not less than the bounties which such countries might give on sugar either produced or exported. But each country might, at its discretion, prohibit entirely the importation of bounty-fed sugar. It was further agreed that these countries would not protect too highly their own refining industries, the "differential" (*i.e.*, excess of the duty on refined sugar over that on raw) being limited to a specified moderate figure. The object of this last provision was to leave some possible chance for a foreign market to those countries in which the refining of sugar was important rather than the production of raw sugar. For the enforcement of the agreement a Permanent Commission was established, made up of delegates from the contracting states, whose duty it was to examine the legislation and practice of the different countries, and report whether or no bounties were given, and in what amounts.

The signatory parties were Great Britain, Germany,

Austria-Hungary, France, Belgium, Holland, Italy, Spain, Sweden. The order in which the countries are here named is the order of their importance for the conclusion of the treaty. Great Britain's attitude was decisive in bringing the matter to a head. Germany had long been the largest producer and exporter of beet-sugar, and without her adhesion the other countries would have done nothing. Austria and France came next after Germany in the Continental sugar industry and in the volume of their bounty-fed exports. When these three countries acceded, the thing was virtually accomplished. Belgium and Holland were glad to join; the other countries—Italy, Spain, Sweden—counted for little. The only considerable producer and exporter which took no part in the agreement was Russia. By virtue of a clause permitting other states to accede to the convention, if they so request, Russia may still join; but up to the present time she has maintained her independent position.

Not a little doubt was felt, when the treaty was signed, whether it would be ratified, and made effective by the needed legislation in the several countries. But the formal ratifications were exchanged by the date fixed (February 1, 1903). Nearly all the countries have remodelled their tax systems in accordance with the new régime. Bounties on export have been abolished in all except Spain. She alone, among the signatory countries, seems to have taken no action; but neither in production nor exportation has she been of importance in the sugar trade. Sugar from Spain, and from Russia and Denmark, will hereafter be subject to the duties fixed by the Permanent Commission, or prohibited entirely, in the Convention states. On the date fixed by the treaty (September 1, 1903) its provisions went into effect.

At least three of the signatory countries, and these among the most important, have done more than to abolish the export bounties. Germany, France, and Belgium have taken the occasion to reduce heavily their taxes on sugar, both excise and customs. The immediate object of this reduc-

tion is not so much to relieve the much-burdened domestic consumer as to stimulate consumption, and so make readjustment to the new conditions easier for the producer. Whatever the motive, the consumer gains substantially. In France the tax has been reduced from 64 francs per 100 kilograms to 27,—roughly, from $5\frac{1}{2}$ to $2\frac{1}{4}$ cents per pound. In Germany the tax has been lowered to a similar figure: it is now but 14 marks per 100 kilograms, or about $1\frac{3}{4}$ cents per pound, in place of the previous tax of 20 marks per 100 kilograms. In Belgium the reduction has been from 51 to 20 francs. Austria is in some respects in the worst plight, her bounty-fed exports bearing the largest proportion to her total product; but fiscal embarrassment has prevented her from lowering her excise.

The needed legislation in Great Britain came with the Sugar Convention Act of August 11. That statute gives the government power to prohibit entirely the importation into the United Kingdom of sugar which the Permanent Commission finds to be bounty-fed, subject, however, to any provision which Parliament may hereafter make for a duty on such sugar in accordance with the terms of the Convention. For the present, Great Britain prohibits, and so cuts off entirely her market for bounty-fed sugar. The only important country to which the prohibition now applies is Russia; and the Russian imports of sugar, while not inconsiderable, have formed only a small fraction of the total British sugar consumption. As Germany, Austria, and France have abolished their bounties, sugar from them may still enter Great Britain, and probably will continue to do so in large amounts for some time to come. But this beet-sugar will now have to compete on equal terms with cane-sugar, and it remains to be seen what will be in the long run the relation of the two sources of supply.

In Great Britain the sugar act, and indeed the whole course of the Balfour ministry with regard to the bounties, was vehemently opposed, as inconsistent with the country's established policy. But the situation was so exceptional

that even a convinced free-trader might accede to this drastic mode of ending it. The bounty system was certainly a greater violation of the principle of free-trade than the prohibition or taxation of bounty-fed imports. It was well-nigh certain to topple over sooner or later from its own weight; and, the sooner it was ended, the better. Certainly its abolition will be a boon to the Continental countries, alike for the consumers of sugar and for the public finances. So much has long been admitted by all sober observers, irrespective of their opinions on the general question of protection. The interests of the Continent doubtless played little part in determining British policy: those of the British colonies and British refiners naturally counted for much more. But, from a cosmopolitan point of view, her action may be welcomed, as contributing to stamp out one of the most vicious forms of commercial rivalry between nations.

The Sugar Convention is by no means the end of the business. The sugar industry in all the Continental countries has been adjusted for so long a period to the complex system of taxes and bounties that years will elapse before it settles down once more to normal conditions. It is even conceivable that this settlement will not have been reached within the period now contemplated. The treaty is to remain in force for five years from September 1, 1903, and thereafter from year to year, unless terminated. Possibly, the strain of readjustment will prove too severe, and the year 1908 may see a relapse to the old ways. But this is unlikely. Even though depression and uncertainty—inevitable for some time—should still continue in 1908, it will then be as easy to struggle forward into natural conditions as to fall back into the artificial ones. The process of readjustment, in fact, has already begun: the acreage sown in beets, and the output of sugar, for the year 1902–03, show a marked reduction in all the treaty countries as compared with preceding seasons. The strong probabilities are that the bounty system has reached its end once for all.

F. W. Taussig.

Harvard University.